

Developmental Disabilities Council  
Reading Cover Page

Date: January 21, 2005

Meeting: Full Council

Reading Number: 05-01

**Issue:** Governor Locke's Proposed Budget

Included in this reading:

Summary of Governor Locke's Proposed  
budget from Department of Social and  
Health Services

Background/Summary:

Action: Information

Focus Question(s):

December 17, 2004

TO: All ADSA Staff  
ADSA Stakeholders

FROM: Kathy Leitch, Assistant Secretary  
Aging and Disability Services Administration

SUBJECT: Governor's 2005-07 Budget Proposal

Yesterday Governor Locke released his 2005-07 biennial budget proposal. Detailed information about this proposal can be found at [www.governor.wa.gov](http://www.governor.wa.gov) or [www.ofm.wa.gov](http://www.ofm.wa.gov).

In preparing this budget Governor Locke was faced with a projected deficit that has grown to over \$1.8 billion. The state's economic recovery will not bring in enough additional revenues to fully fund all existing services, because client caseloads and the cost of medical care for clients are projected to increase. The projected deficit includes funding for new obligations in the next biennium such as collective bargaining agreements. The Governor was required to make difficult choices about services for Washington residents. In doing so the Governor relied on both the Priorities of Government process and the decision packages submitted by DSHS and other state agencies.

The governor presented two budget proposals. The first, which is required by law, is a spending plan that relies solely on existing revenue. Under this plan, deep cuts would be required in education, health care and services for vulnerable people. This first proposal includes eligibility cuts to Medicaid Personal Care, COPES, and nursing home clients. In the second budget proposal, Governor Locke proposes to raise \$504 million through new or additional taxes on hard liquor, wine, beer and soda pop. This new tax revenue is targeted to prevent these eligibility cuts as well as other cuts.

DSHS submitted its FY 05-07 budget proposal to the Governor's Office on August 31, 2004. This budget request included what it would cost in FY 05-07 if we simply proceeded with business as usual – the “maintenance level” budget. The budget also included several “policy enhancements” or proposals for changes in policy that may increase or decrease the amount of money spent for services. Very few of the enhancements that were submitted by the department have been funded in the Governor's budget proposal. There is also a decrease in maintenance level funding. Highlights of the budget that affect programs and services of ADSA include:

**Long-Term Care Programs:**

- The proposal reduces nursing home reimbursement rates by \$75.2 million total funds. This includes eliminating variable return payments, eliminating the direct care floor, and an across-the-board reduction in operations, property, and financing allowance payments.

- There is a targeted vendor rate increase for adult family home, adult residential care and assisted living providers of 1.5 percent in FY06 and 2.0 percent in FY07, for a total of \$11.2 million total funds.
- Maintenance level items included in the Governor's proposed budget are:
  - funding for quality assurance policy and IT support staff
  - funding for staff to represent the administration in administrative hearings for the Resident Protection Program and civil fine appeals in the adult family home and boarding home programs
  - mandatory workload and caseload adjustments due to caseload changes
- Policy level items included in the Governor's proposed budget are:
  - a respite program compensation increase
  - staff to meet quality assurance requirements for adult protective services
  - funding for community placements as a result of the closure of Fircrest School
  - funding for enhanced community resources and support for geriatric state hospital patients
  - savings assumed in the nursing home budget based on expansion of chemical dependency treatment on demand for Medicaid clients

#### **Developmental Disabilities:**

- There is a targeted vendor rate increase for licensed residential settings, supported living, adult family homes, adult residential care providers, and voluntary placement providers of 1.5 percent in FY06 and 2.0% in FY07, for a total of \$16.3 million.
- The budget proposal assumes that Fircrest School will be closed during the 05-07 biennium. Funding is provided to support Fircrest residents who may choose to locate in their own communities or in another state-operated residential habilitation center.
- Maintenance level items included in the Governor's proposed budget are:
  - staffing to provide support for the implementation and ongoing operation of the Comprehensive Assessment Reporting Evaluation Tool (CARE)
  - funding for new requirements resulting from the passage of ESHB 2933
  - funding for a lead psychologist at Rainier School in response to a Department of Justice review
  - funding for employment and day services for 341 high school graduates who will be turning 21 years of age and leaving school in June 2005 and June 2006
  - mandatory workload and caseload adjustments
- Policy level items included in the Governor's proposed budget are:
  - funding for residential services and support for approximately 24 eligible division clients who pose a significant public safety risk
  - funding for out-of-home placements for 24 children who are in danger of institutionalization

- funding for 97 individuals who are being discharged or diverted from state psychiatric hospitals

#### **Other Items of Interest:**

- Funding is provided to implement the compensation and fringe benefit provisions of the interest arbitration award for individual providers of home care services.
- Funding is provided for a compensation and related benefit increase to workers who provide personal care services in ADSA programs and are employed by private agencies. The increase corresponds to the salary and wage component of the Homecare Worker Contract for individual providers based on the interest arbitration award.
- Funding is provided to complete design, development and implementation of a new Medicaid Management Information System (MMIS).
- Nursing home ProShare activity is phased out as required by CMS.

#### **State Employees:**

- The budget includes funding for state employee collective bargaining agreements regarding COLA adjustments, health care benefits, classification changes and performance pay.
- The budget proposal provides funding for a COLA of 3.2% in FY06 and 1.6% in FY07 for non-represented state employees. The budget assumes the same health benefit package and employee cost-sharing for both represented and non-represented employees. The goal is to hold the average employee contribution to 12 percent of the total cost of the medical benefits.
- The budget proposal includes a 5% administrative reduction for regional staff support in RCS, HCS and DD regional offices.

As Secretary Braddock stated in a November 5, 2004 memo to all staff, “It is important for all of us in DSHS and in social services to be reminded that the process of creating a state budget is a long and tortuous process. In December, Governor Locke will announce his proposed budget for state government. In January, a new governor will take office – and undoubtedly will make revisions that reflect new priorities that the next governor brings to the job. Later, the House and Senate each will offer budgets. Eventually, the House and Senate will agree on a single budget, and will need agreement from the new governor.

All of this will take many months, and it behooves us to recognize the budget as a work in progress – one with many checks and balances and with many opportunities for interested parties to participate in the process. We will keep you informed through each step in the upcoming months. We are committed to working with all stakeholders to provide necessary services to this state’s most vulnerable citizens.